

The President's Daily Brief

December 24, 1974

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FOR THE PRESIDENT ONLY

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PORUGAL

Announcement of Lisbon's new economic plan, delayed for nearly a month by disagreements within the provisional government, is expected this week.

The plan apparently does not provide the strong measures that are needed to boost the sagging Portuguese economy. It is a short-term compromise encompassing conflicting economic views, and is not expected to last beyond the constituent assembly elections next spring.

The program has been a major bone of contention between Prime Minister Goncalves and his government. Even after the cabinet and the Armed Forces Movement's Superior Council approved the general provisions of the program, Goncalves continued to insist that the draft be strengthened to provide for tighter government control in all sectors.

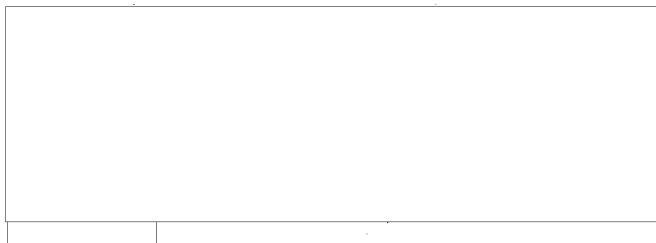
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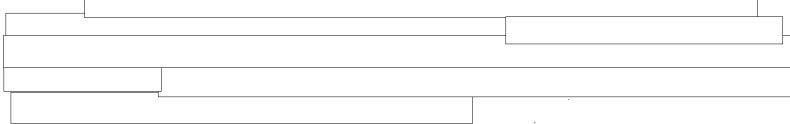
CHILE-PERU



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CHINA

The Chinese used unusually restrained rhetoric in reporting their "biggest grain harvest in history" and in claiming "output showed a fairly big increase over last year," suggesting that the harvest once again fell short of expectations.

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Increases in grain production averaged less than 1.5 percent a year between 1970 and 1973. [redacted]

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production in 1973 was below 250 million tons, although the Chinese have claimed publicly that the harvest was greater.

We are not yet able to estimate precisely how much grain was harvested, but crops did get off to a poor start this year. The wheat crop was hurt by drought, and output did not measure up to that of past years, despite a record acreage. Early rice was hurt by frost, but recovered in time to yield a good crop.

The more important fall harvest was unusually late. Drought, typhoon, and prolonged autumn rainfall apparently caused considerable damage before the crops could be harvested.

Peking has asked all of its major suppliers to postpone the delivery of almost 2 million tons of grain scheduled for 1974 to the latter part of 1975. This does not mean, however, that the harvest was unusually favorable. Rather, these measures are the outgrowth of a tight foreign exchange position created by a fall-off in sales of Chinese exports. Peking has also canceled contracts for substantial quantities of soybeans and cotton. [redacted]

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CHINA-USSR

The Chinese are amplifying the proposal they made on November 6 for dealing with the Sino-Soviet border dispute, apparently in reaction to Brezhnev's rejection. Chinese diplomats are quietly spreading the word through the diplomatic community in Moscow that Peking's proposal for the withdrawal of troops from disputed territories is more reasonable than the Soviets claim.

In recent conversations with American and Norwegian embassy officers, the Chinese have indicated that the disputed areas refer to territory the Soviets now occupy that is not covered by the 19th century "unequal" treaties. These treaties gave Russia much of eastern Siberia and what is now known as the Soviet Far East. The Chinese specifically mentioned disputed islands in the Ussuri River and grazing land adjacent to Sinkiang.

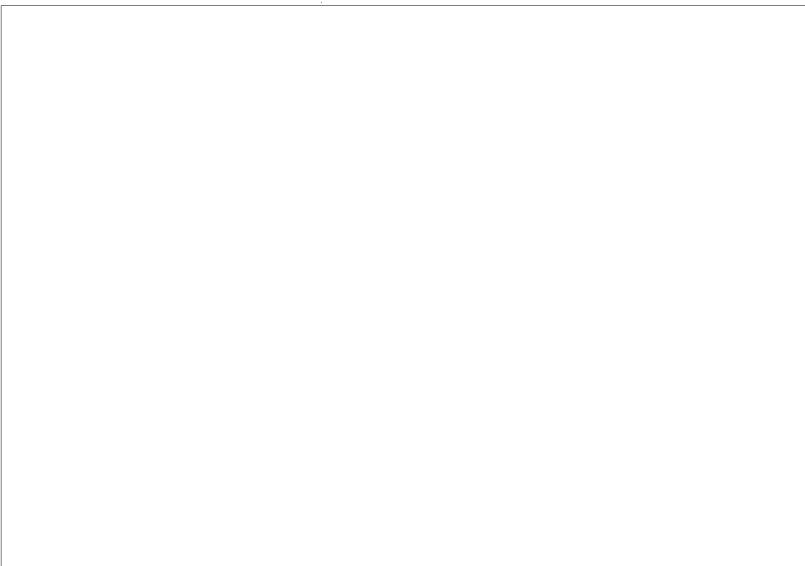
The Chinese diplomats charge that Moscow deliberately misinterpreted the Chinese proposal by claiming that it includes territories covered by the "unequal" treaties. This shows, according to the Chinese, that the Soviets do not want serious negotiations.

Peking has long held that it does not expect to undo the 19th century treaties in dealing with the Sino-Soviet border and that little territory is in dispute. In using this line to question current Soviet motives, the Chinese appear simply to be trying to put the Soviets on the propaganda defensive.

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USSR-IRAQ

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NOTES

Venezuela-US: The Perez administration has expressed deep concern over the effects of the recently passed US trade bill. The Venezuelans believe that the legislation, which would deny US tariff preferences to "members of cartels that raise prices on vital commodities," is designed to punish Venezuela and other OPEC countries. President Perez reportedly has urged oil-producing countries to reject "this discriminatory treatment," and politicians across the political spectrum have taken the same line. Some Venezuelan officials have already threatened that Caracas will retaliate if trade preferences are denied because of OPEC membership. Some indication of Perez' intentions may come in his New Year's Day address.

India: Prime Minister Gandhi may soon call for a general election in February, a year before the five-year term of the lower house of Parliament expires. A decision to hold early elections would reflect Mrs. Gandhi's serious concern about a campaign headed by J. P. Narayan, a widely respected reformer and pacifist. He and his followers are protesting the central government's misuse of power and its inability to curb inflation, corruption, and unemployment. An early election would catch the opposition unprepared to wage an effective campaign. A new Parliament must be seated in time to approve the national budget before the beginning of India's fiscal year on April 1.

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